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MARKET OVERVIEW AND IMPLICATIONS FOR OFFICE, RESIDENTIAL AND RETAIL/COMMERCIAL ENTERTAINMENT DEVELOPMENT IN THE CENTER CITY AREA OF BOSTON, MASSACHUSETTS

PREPARED BY

LAVENTHOL & HORWATH

in association with

BARRY M. ABRAMSON

DECEMBER, 1987

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December 30, 1987

Ms. Simone Auster
Community and Economic Development
Greater Boston Chamber of Commerce
600 Atlantic Avenue
Boston, MA 02210-2200

Dear Ms. Auster:

Laventhol & Horwath in association with Barry M. Abramson is pleased to present this summary report entitled, "Market Overview and Implications for Office, Residential and Retail/Commercial Entertainment Development in the Center City Area of Boston, Massachusetts".

The objectives of our study were to: conduct an overview of the markets for office, residential and retail/commerical entertainment facilities in downtown Boston, and particularly the Core Center City area; and, based on the above, assess the market potential for development on Parcel 31 (the Hinge Block) within this area and assess factors that would enhance or constrain this potential.

Our report is not intended to constitute a comprehensive market analysis; nor was it within the scope of our work to provide recommendations concerning potential public policy decisions concerning the form of development in this area. Rather, our work is intended as an overview that will provide input to conceptual planning and analysis, facilitating a better understanding of the trade-offs implied by alternative policy and land use decisions. Accordingly, elements that typically are incorporated in a full market analysis, such as a comprehensive analysis of supply and demand, have not been performed.

As agreed, we did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits, and licenses. Further, no effort has been made to determine the possible effect on the proposed project of present or future federal, state or local legislation or any environmental or ecological matters.

Our conclusions are based on information developed from research of the market, knowledge of the industry, and meetings with you during which you provided us certain information. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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The report and accompanying prospective analyses are based on estimates and assumptions developed in connection with our analysis. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective analyses will vary from our estimates, and the variations may be material.

Further, we have not been engaged to evaluate the effectiveness of management not yet selected, and we are not responsible for future marketing efforts and other management actions upon which actual results will depend.

This report and the prospective analyses included herein is intended solely for your information and that of the City of Boston and any other parties involved in the formulation of development policies for the Center City area of Boston. It should not be relied on for any other purpose.

Neither the report not its contents may be referred to or quoted in any offering circular or registration statement, prospectus, loan or other agreement or document without our prior written consent.

Neither Laventhol & Horwath nor Barry M. Abramson will be responsible for each others' comments or interpretations concerning the contents of this report.

December 4, 1987

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MARKET OVERVIEW AND IMPLICATIONS FOR OFFICE, RESIDENTIAL AND RETAIL/COMMERCIAL ENTERTAINMENT DEVELOPMENT IN THE CENTER CITY AREA OF BOSTON, MASSACHUSETTS

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I. EXECUTIVE SUMMARY I-1

GENERAL

- Members of the real estate community interviewed in the course of this analysis stressed the sensitivity of tenant and buyer markets to area image. The Center City Core Area and Parcel 31 are currently seen as being unmarketable to most private sector users, even at rates substantially "below market", due to the area's overwhelming identification with the Adult Entertainment District, its large population of street people and its perceived safety problems.

- City efforts to address the above problems along with proximate redevelopment, such as the proposed Commonwealth Center and Lafayette Place-Phase II mixed-use projects, will be vital to the transition of the area's image and will

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greatly influence the marketability of potential development in the Center City Core.

- For purposes of this analysis, two progressive stages of future area redevelopment have been assumed to characterize the environment in which potential development on Parcel 31 would be marketed.

  . The "Near- to Mid-Term Future (1991-1994) would be characterized by clear progress toward Core Area clean-up and redevelopment proximate to the Core Area being in process, though much of the negative factors that are currently associated with the area would remain.

  . The Mid- to Long-Term Future (1995-1998) would be characterized by extensive progress toward Core Area clean-up and proximate redevelopment already having been made, though vestiges of the Core Area's current negative uses and market perception would remain. In this stage, redevelopment of the Core would appear imminent to most observers, but the area would still have enough of a varied character to intimidate the more cautious end of the office and residential markets.

The actual pace at which area redevelopment and image improvement will occur may, of course, vary from the above assumptions and such variations would impact the timing at

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which estimated levels of market performance could be achieved.

- The market acceptance of new development targeted to private sector tenants, especially if prior to full area clean-up and proximate redevelopment, will be greatly enhanced to the extent that a project has the critical mass, strong image and control of ground floor usage that will enable it to create its own identity, rather than be engulfed by that of the existing district.

OFFICE

- The downtown Class A office market is currently one of the strongest in the nation, with a vacancy rate estimated by public and private sector sources at between five and six percent.

- Annual net absorption in the downtown is expected to top two million square feet in 1987, surpassing the peak three-year annual average of 1.6 million the market enjoyed during 1984 through 1986.

- By year-end 1987, approximately 1.8 million square feet of Class A space will have come on line in the Financial District. An additional three million square feet will be added to the Financial District and 700,000 square feet to the Back Bay during 1988 and 1989.

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Estimated Office Rental Rates and Terms
for Downtown Boston Sub-Markets
December, 1987

	Average face rental rate (per sq. ft.)	Average Concessions: Free rent(2)	Average Concessions: Tenant Improvement Allocances (per sq. ft.)
New Class A Towers			
Financial District (3)	$35 - $40	6 mos.	$30 - $40
Back Bay New Towers	$33 - $38	4-6 mos	$25 - $35
Back Bay Recent Towers(3)	$25 - $32	4-6 mos	$20 - $30
Previous Generation Class A Financial District Towers	$30 - $34	6 mos	$20 - $35
Rehabs:			
Financial District	$25 - $32	4-6 mos	$20 - $30
Back Bay	$23 - $28	4-6 mos	$20 - $30
Fringe Rehab Areas (Leather District, North Station, Fort Pt. Channel)	$21 - $24	4-6 mos	$20 - $30
Center City Fringe	$18 - $22	4-6 mos	$15 - $25
Center City Core	$16 - $20	-(4)	-(4)

(1) All rental rates on a gross basis per rentable square foot
(2) Average months free rent on a 5 year lease
(3) Includes remaining vacant or sublease space in towers developed over previous 3-5 years
(4) Insufficient space currently on market

Source: Local realtors and developers, Laventhol & Horwath and Barry M. Abramson.

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- Nominal gross rental rates for the new Financial District towers are currently reported to range, primarily, from $32 to $45 per square foot, with an average estimated at $37.50 per square foot. (All office rental rates discussed in this report are gross, per square foot of rentable area unless otherwise noted.) Standard concessions average six months free rent on a five year lease and $35 per square foot ($20 over building standard) of tenant improvement allowance, bringing average effective rental rates to approximately $30.75 per square foot.

- Market acceptance and rental rates vary considerably with the characteristics of individual buildings, and, particularly, their location. New towers at the fringe of the Financial District, within the Downtown Crossing Retail District, are reported to have faced greater tenant resistance, as evidenced by slower lease-up and rental rates substantially below the average for the Financial District.

- Recently renovated buildings at the periphery of the Center City Core Area are reported to have leased at gross rents ranging, primarily, from $18 to $23 per square foot. The two renovations located in the Core Area, The Boylston Building and 600 Washington Street, were leased predominately to public sector tenants at gross rents of $19 to $22 per usable square foot which is equivalent to approximately $16 to $20 per square foot on a rentable square foot basis.

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- It appears reasonable to assume that, after softening somewhat during the 1988 and 1989 period in response to the large supply of space coming on the market, the Class A office market will return in the 1990's to a healthy balance of supply and demand, with vacancy rates in the range of five to ten percent. Naturally, unforeseeable economic factors, and/or public sector policies and actions, could result in vacancy levels above or below this range.

- While nominal rental rates in the downtown market may be expected to increase at an annual rate equal to inflation (assumed in this analysis to be 4.5 percent per year), increasing concessions will result in effective rental rates remaining flat (a real dollar decrease) through 1988 and 1989; in the early 1990's, a decrease in concessions to current levels, would result in effective, as well as nominal, rental rates approximately equal, in constant dollar terms, to those found in today's market.

- The pricing of, and marketing risk entailed in, a new office development on Parcel 31 would be a function of the scale and character of the project as well as the progress of area clean-up and proximate redevelopment. The issue of scale and character would be intertwined with the land use policy alternative of promoting large-scale mixed-use development or a building by building approach to development.

- A new office development on Parcel 31, entering the market in the near- to mid-term future (1991-1994) and assuming the

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pace of area redevelopment as outlined in this report, could be priced (in constant 1987 dollars) as follows: low-$20's per square foot for lower floors (i.e. 2 through 10), primarily leased to an institutional or public sector lead tenant; mid-$20's per square foot for mid-level floors (i.e. 11 through 20); and high-$20's per square foot for upper level floors. Penthouse floors could be marketed at a small premium. The mid-floor rents in the mid-$20's per square foot represent a discount of 30 to 35 percent from the average Financial District nominal rent.

- A relatively small office project (250,000 square feet or less) would not have the critical mass necessary to overcome the area's negative image and would face considerable leasing risk even with target rents at the low end of the height-rental rate range for lower floors presented above. A pre-committment of the vast majority of the space, most probably to a public sector tenant, would appear necessary for the project to be seriously considered in this time-frame.

- A larger scale office project (approximately 400,000 square feet or more), while still entailing considerable marketing risk, would have a better chance of attracting private sector tenants at rents in the middle of the height-rental rate ranges presented previously. Critical mass, larger floor plates, increased height and on-site parking are factors potentially associated with a larger project that would enhance its marketability.

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- To the extent that the office project was significantly increased in size or integrated with other mixed-use components that could infuse a substantial amount of positive animation to the project's immediate ground floor environment, prospects for successful marketing would be further enhanced and target rental rates could be increased toward the high-end of the height-rental rate ranges.

- A potential office development coming on the market in the mid- to long-term future (1995-1998), after substantial progress had been made toward area redevelopment, could be marketed at rental rates (for mid-floor space) representing a discount of approximately 15 to 20 percent from the Financial District new tower average. The relative difference in pricing and marketing risk, attributable to alternate development approaches could be somewhat less than if the project were developed in the earlier time-frame.

- An illustrative table outlining relative pricing and marketability for a potential office project on Parcel 31 under alternate development approaches is presented on the following page.

RESIDENTIAL

- An evolution in the nature of demand has recently spurred the development and strong market reception of a number of large-scale, full-service "tower" condominium projects in downtown Boston.

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Illustrative Pricing and Marketability of Potential Parcel 31
Office Development under Alternative Development Scenarios
(in constant 1987 dollars)*

Year Entering Market	Development Scenario	Nominal Rents per square foot low floors	mid-floors	upper floors	PH	Marketability /Risk
1992	Small low-rise	$20-$22	$23-$24	---	---	Public Sector Tenants Extremely High Risk Without preleasing vast majority of space
	Mid-size	$21-$23	$24-$26	$27-$29	$30-$31	Substantial Marketing Risk
	Large and/or Mixed-Use	$22-$24	$25-$27	$28-$30	$31-$32	Considerable Marketing Risk
1996	Small low-rise	$26-$28	$29-$30	---	---	Considerable Marketing Risk
	Mid-size	$27-$29	$30-$32	$33-$35	$36-$37	Moderate Marketing Risk
	Large and/ or Mixed-Use	$28-$30	$31-$33	$32-$36	$37-$38	Normal to Moderate Risk

* Constant 1987 dollars as of December, 1987.

The comments and assumptions contained in this report are an integral part of this statement.

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- Of great significance to potential residential development in the Center City Core Area is the Parkside project, located on Tremont Street opposite the Boston Common. The first phase of Parkside has experienced strong pre-sale activity at prices reported to average around $350 per square foot.

- The success of this project indicates that a previously underserved market for downtown, full service, tower condominiums, priced below the luxury range (i.e. below the price range of projects such as Rowes Wharf, The Heritage and The Four Seasons), exists and is willing to accept a less attractive location and smaller units in return for more reasonably priced units with a view.

- Realtors believe that there is currently a strong demand for downtown tower condominiums, especially for more moderately priced units of up to $200,000, or $250 per square foot. The depth of this demand, however, cannot be readily assessed at the present time.

- Realtors believe that there is potential for moderately priced condominiums on Parcel 31. They stress, however, the importance of area clean-up as well as the substantial difference in image and view potentials between this block and the proximate Parkside development.

- In the near- to mid-term future (1991-1994) and assuming a pace of area redevelopment as summarized in this report, a

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Estimated Residential Prices Per Square Foot for Condominiums in Central Boston Neighborhoods and Selected Individual Projects
December, 1987

	Average* (per sq. ft.)	Primary Range** (per sq. ft.)
Back Bay/Beacon Hill	$275-$285	$225-$400
South End	-	$150-$285
More gentrified areas	$225-$250	-
Waterfront (new rehab projects)	-	$275-$350
Tremont on the Common	-	
Units with Views of the Common		±$300
Rowes Wharf	±$450-$500	$350-$550
Heritage on the Garden	±$450-$500	$350-$550
Four Seasons	± $400	$300-$475
Parkside	$350	$285-±$425

Source: Otis and Ahearn, other realtors, Laventhol & Horwath and Barry M. Abramson.

*Averages as estimated by sources or inferred from differing estimates by L&H and BMA.

**Primary ranges as estimated by sources or inferred from differing estimates by L&H and BMA; may exclude some high and low prices.

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mid-size, 15- to 20-story residential condominium project at an appropriate mid-block location on Parcel 31, coming on line in early 1992, could be marketed at prices (in constant 1987 dollars) averaging $240 to $270 per square foot. Upper floor (twelfth floor and above) units could be marketed at prices averaging $265 to $295 per square foot, while lower floor units might sell for average prices of $225 to $250 per square foot. This pricing reflects the estimated "real dollar" impact of downtown market-wide appreciation (estimated at an annual rate of 7.0 percent less 4.5 percent inflation) and area change.

- If the project described above were to come on the market in early 1996, downtown market-wide appreciation and continued improvement to the Core Area could result in prices (in constant 1987 dollars) averaging $325 to $355 per square foot for upper floor units and $275 to $300 per square foot for lower floor units.

- If the residential project were to be developed as part of a mixed-use project that could add a significant level of building development and an infusion of legitimate entertainment, restaurant and retail use to the project's immediate environs, the residential project's marketing risk would be reduced and the estimated pricing could be increased by ten percent over that presented above for the "base case scenario" in the near- to mid-term future, and by five percent over that presented above for the mid- to long-term "base case scenario."

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- A table illustrating the relative pricing and marketability of the residential project in 1992 and 1996 under alternate development approaches is presented on the following page.

RETAIL AND COMMERCIAL ENTERTAINMENT

- The current market for legitimate retail and entertainment space in the Core Center City Area is reported to be weak with no interest on the part of most legitimate space users.

- City Place, in the State Transportation Building, is the most encouraging proximate development. Five quality restaurants have been attracted to this development, at rents averaging in the mid-$20's per square foot, along with a mix of other retailers.

- Realtors indicate that Parcel 31, if substantially redeveloped and cleaned up, would be an attractive location for retail, restaurant and entertainment uses in addition to the cultural uses proposed by the City.

- Given considerable progress toward area improvement, rent levels (all on a triple net basis in constant 1987 dollars) at which various commercial uses could potentially be attracted to the site are: commercial galleries - $20 to $25 per square foot; night/jazz clubs - $10 to $12 per square foot; cinemas - $10 per square foot; restaurants - $20 to $30 per square foot; and other retailers - $25 to $40 per square foot. Substantial concessions involving assistance in build-out or lower base rent would be necessary to attract key lead tenants.

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Illustrative Pricing and Marketability of Potential Parcel 31
Residential Development Under Alternative Development Scenarios
(in constant 1987 dollars)

Year Entering Market	Development Scenarios	Sales Price per Square Foot* Low Floors	Upper Floors	Marketability/Risk
1992	Residential as Individual Project	$225-$250	$265-$295	Considerable Risk
	Residential as part of Major Mixed-Use Project	$250-$275	$290-$325	Moderate Risk
1996	Residential as Individual Project	$275-$300	$325-$355	Moderate Risk
	Residential as part of Major Mixed-Use Project	$290-$315	$340-$375	Normal-Moderate Risk

* All prices relfect average sales price over sell out period assumed to equal January of year entering market; inflation rate of 4.5 percent per year has been used to discount to constant 1987 dollars. Constant 1987 dollars are as of December, 1987.

The comments and assumptions contained in this report are an integral part of this statement.

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- The clustering of the above uses in a complex creating a critical mass of activity in a controlled, well-managed environment, in tandem with other supportive uses, could enhance the attractiveness of Parcel 31 to potential commercial tenants in the near- to mid-term future. Otherwise, the location of a significant number of legitimate retail and restaurant uses into the Core Area and Parcel 31 would probably not occur until the mid- to long-term future or beyond.

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BARRY M. ABRAMSON & ASSOCIATES 275 Marlborough Street • Boston, Massachusetts 02116 • (617) 266-1119

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DEVELOPMENT POTENTIAL OF OFFICE, RESIDENTIAL AND RETAIL/ENTERTAINMENT DEVELOPMENT ON PARCEL 31 IN THE CENTER CITY AREA OF BOSTON, MASSACHUSETTS

JANUARY, 1988

BARRY M. ABRAMSON & ASSOCIATES 275 Marlborough Street • Boston, Massachusetts 02116 • (617) 266-1119

January 25,1988

Ms. Simone Auster
Vice President
Community and Economic Development
Greater Boston Chamber of Commerce
Federal Reserve Plaza
600 Atlantic Avenue
Boston, MA 02110-2200

TENTATIVE AND CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

Dear Ms. Auster,

I am pleased to present this summary report entitled "Development Potential of Office, Residential and Retail/ Entertainment Development on Parcel 31 in the Center City Area of Boston, Massachusetts".

The objective of this analysis was to provide an objective assessment of the development potential of the subject parcel, also referred to as "The Hinge Block", under alternate land use policy/development approachs regarding the mass, height and character of new development.

It is not the intent of this report to make recommendations concerning development policy for this area. Rather, this analysis is intended to facilitate planning for the area by providing a better understanding of the economic trade-offs implied by alternate land use policies.

The prospective financial analyses contained in this report are based on market information detailed in the report entitled "Market Overview and Implications for Office, Residential and Retail/Commercial Entertainment Development in The Center City Area of Boston, Massachusetts", dated December, 1987, prepared by Laventhol & Horwath in association with Barry M. Abramson.

The present analysis is conceptual in nature. Market and cost factors for actual projects undertaken in the area could vary significantly from the assumptions contained herein.

It has been a pleasure to be of assistance to the Greater Boston Chamber of Commerce and the Center City Task Force.

Sincerely,

Barry M. Abramson

SCOPE OF ANALYSIS

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ALTERNATIVE DEVELOPMENT APPROACHES

This analysis assesses the potential for new development on Parcel 31 ("The Hinge Block") under three alternative approaches to development. These are:

- Small/Low-Rise (12 floor maximum height) development undertaken on an individual building by building basis;
- Mid-Size/Mid-Rise (18 to 20 floor maximum height) development undertaken on an individual building by building basis; and
- Large/High-Rise (24 to 26 floor maximum height) development undertaken as an integrated mixed-use project, having an active retail/entertainment component as a central focus (as outlined in Memorandum dated December 4,1987).

These alternate approaches assume comparable overall density and land cost per FAR square foot.

TIME FRAMES

Feasibility of potential office and residential developments, along with the retail/entertainment component of the mixed-use project were assessed in two time-frames:

- The Near- to Mid-Term Future : a project coming on line in 1992
- The Mid- to Long-Term Future : a project coming on line in 1996

INVESTMENT RETURN THRESHOLDS

Basic thresholds of project feasibility (exclusive of post-construction/absorption period financing considerations) have been estimated, based on research of real estate investment markets. These thresholds are:

- 10 percent Return on Total Development Cost (Free and Clear Return) in stabilized year, for operating properties; and
- 20 percent Return on Total Development Cost (Net Sales Proceeds over Total Development Cost) for the residential condominium project.

The first set of tables summarizes measures of investment potential for the potential developments in 1992 and 1996, with

surplus over, or shortfall to, the threshold returns serving as a test of feasibility.

It should be noted that returns in excess of the return thresholds could be assumed to be offset, in part or in whole, by land prices rising above the base 1988 level utilized in this analysis. "Excess return"/increased value may also be able to provide subsidy to other project components, rather than be absorbed as increased residual land value, to the extent that the height or density increases contributing to increased value are contingent upon provision of public benefit or cross-project subsidy.

SUMMARY OF FINDINGS

In general, potential for new development is enhanced to the extent that project size and height are increased and that the project is developed as part of an integrated mixed-use project, as opposed to being brought on line as "the first project on the block".

NEAR- TO MID-TERM DEVELOPMENT POTENTIAL

Prospects for Parcel 31 development in the near- to mid-term future appear to be questionable.

Potential office development in this time-frame offers unattractive returns on investment, i.e. a substantial need for subsidy, under all building approachEs. Even with the advantages of maximum height, critical mass and image under the Large/Mixed-Use approach, the project provides a stabilized year return of only 8 percent.

Investment in the office project in this time-frame would require substantial subsidy and/or extremely "patient" capital provided by an investor making a major commitment to the area's revitalization. A large/mixed-use project would provide the most plausable draw for such an investment, though such a venture would have to be considered a long shot in this time-frame.

Residential development presents a more attractive investment opportunity than does office. However, only the Large/Mixed-Use alternative provides a return sufficient to attract investment in the near- to mid-term future.

Both the small and mid-size alternatives show gaps to project feasibility in this time-frame. However, these short-falls, especially for the mid-ize alternative are within reasonable range for subsidy (for example, deferring the up-front affordable housing contribution to the back-end of the project, contingent on returns above those projected could fill the gap in the Mid-size development).

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The retail/entertainment complex represents a drain to project feasibility, even assuming that the majority of the public space it requires is allocated to another project component (most likely the office component in which tenants could be charged pro rata for the building's common areas).

MID- TO LONG-TERM DEVELOPMENT POTENTIAL

In the mid- to long-term future (i.e. 1996 delivery), successful office development still presents a formidable challenge. Only the large/mixed-use approach reaches the threshold return.

The small and mid-size projects developed under a building by building approach, fall short of feasible return levels, indicating that without major subsidy, this approach will not result in new office development for the forseeable future.

Residential development appears to be feasible in this time-frame under all development approaches.

The retail entertainment component continues to present a need for subsidy in this time-frame.

DEVELOPMENT INCENTIVES

The City currently or potentially has at its disposal a variety of means by which it can enhance the economic value of, and provide subsidy to, potential development projects.

In utilizing these mechanisms, it is important that the City recognize the high degree of risk that private sector investors will associate with potential development projects in the Center City Core.

It is difficult to accurately assess the potential performance of projects in this pioneering area. Accordingly, investors and lenders can be expected to apply highly conservative "cushions" to their projections. Projects such as Parkside have far exceeded original estimates, while others such as the China Trade Center, have more than borne out and reinforced original assessments of risk.

The City can most effectively leverage the mechanisms available to it by recognizing this wide disparity between conservative down-side expectations and potential upside, and by providing subsidy, zoning variances or relief from standard obligations in a manner that will minimize set required costs to development and maximize the City's participation in potential excess returns".

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Along with generally well-recognized development incentives such as UDAG and (potentially) tax increment financing, the the following means could be used by the City to facilitate development on Parcel 31:

- ZONING INCREASE: Establishing greater height limits for new development, even assuming that overall density is not significantly increased, would create value by increasing income potential of projects in the area.

- RELIEF FROM LINKAGE AND OTHER OBLIGATIONS: The City can lower the cost of development by relieving or restructuring developers' obligations to subsidize other public benefits. Such an approach would recognize that the revitalization of the Core Area is, itself, a public benefit, and that by attempting to gain both this benefit and linkage-oriented benefits, neither may occur.

  One approach to restructuring linkage-oriented obligations would entail deferring such payments and making them contingent upon and possibly proportionate to returns in excess of reasonable preferred return expectations.

- LAND WRITEDOWN: The City owns strategic land parcels at the interior of the Hinge Block, particularly in the form of streets and public alleys (most notably, LaGrange Street). To the extent that the City promotes a project that can meaningfully integrate these interior parcels and obviate the need for their use as service corridors, the City can create real estate value which it can use to leverage development and public benefits.

  For a number of functional reasons (as examined by Communitas Architects), the economically productive reuse of these parcels would appear to be enhanced if development is undertaken in the form of a large mixed-use project.

ASSISTANCE IN LAND ASSEMBLAGE: The City has the ability to assist land assemblage in this urban renewal area through condemnation or the prospect of condemnation.

AREA IMPROVEMENT EFFORTS: The City can speed the redevelopment of the block through continued and expanded efforts to improve the area's image by means of public improvements, code enforcement and creation of an identity for the area as the Cultural District.

CONCERTED PLANNING EFFORTS: To the extent that the City can clearly lay out the zoning ground rules for development in the area, and identify plan and promote a program of doable development projects, the uncertainty attendant to development in this area will be lessened.

MAJOR ASSUMPTIONS OF THE ANALYSIS

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FOR DISCUSSION PURPOSES ONLY

DEVELOPMENT APPROACHES

The large/mixed-use program analyzed in the analysis conforms approximately to the coceptual design and program developed by Communitas. The size of the office component reflects the mix of low-, mid- and high-rise elements in this scheme. An office project could be considerably smaller, as much as half the total square footage shown in this cocept and still benefit from the image and marketing advantages assumed to apply to this scenario.

The building programs used to model the small and mid-size approachs characterize a "first building in", rather than a redevelopment program of the entire block.

DEVELOPMENT COSTS

Prototypical per square foot development cost budgets were developed for each land use. While the size and character of actual developments could be expected to influence cost, in the absence of a detailed cost evaluation of a specific project, it appears reasonable to assume compensating variations will apply.

Parking has not been assessed either as a cost or an income factor in the present analysis.

LAND COST

Land prices in the area currently reflect the impact of speculation rather than residual economic value. Accordingly, land cost has been held at present levels as a base assumption of the analysis.

These alternate approaches assume comparable overall density, as reflected in the analysis by holding land costs per square foot of FAR constant across alternatives.

POTENTIAL PARCEL 31 RESIDENTIAL CONDOMINIUMS
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1992 DELIVERY

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FOR DISCUSSION PURPOSES ONLY

DEVELOPMENT APPROACH:	SMALL		MID-SIZE		LARGE/ MIXED-USE	
GROSS BUILDING AREA	65,000		97,000		174,000	
NET UNIT AREA (1)	52,000		77,600		139,200	
NUMBER OF UNITS (1)	65		97		174	
	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)					
NET SALES PROCEEDS (2)	$14,277	$220	$22,632	$233	$46,020	$264
TOTAL DEVELOPMENT COST	$13,152	$202	$19,738	$203	$35,863	$206
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	81%		86%		96%	
EQUITY REQUIRED	$2,444	$38	$2,764	$28	$1,349	$8
RETURN ON TOTAL DEVELOPMENT COST	8.6%		14.7%		28.3%	
SURPLUS (SHORTFALL) TO 20% RETURN ON TOTAL DEV COST	($1,255)	($19)	($878)	($9)	$2,486	$14

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1992 RESIDENTIAL

(1) NET AREA/GROSS BUILDING AREA, AVERAGE UNIT SIZE @.. 80% 800
(2) AVERAGE YEAR OF SALE (MIDPOINT).....01-Jul-92
SALES PRICES & EXPENSES SET AT 1992 LEVELS
(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF NET SALES PROCEEDS..... 75%

POTENTIAL PARCEL 31 OFFICE BUILDING
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1992 DELIVERY

TENTATIVE AND CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

DEVELOPMENT APPROACH:	SMALL		MID-SIZE		LARGE/ MIXED-USE	
GROSS BUILDING AREA	200,000		330,000		840,000	
NET RENTABLE AREA (1)	196,000		320,100		814,800	
	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)					
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$2,649	$13.25	$5,280	$16.00	$15,756	$18.76
TOTAL DEVELOPMENT COST	$45,938	$230	$77,236	$234	$200,202	$238
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	46%		55%		63%	
EQUITY REQUIRED	$24,777	$126	$35,055	$106	$74,336	$88
RETURN ON TOTAL DEVELOPMENT COST	5.8%		6.8%		7.9%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($19,446)	($97)	($24,632)	($74)	($42,667)	($51)

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1992 OFFICE

(1) NET RENTABLE AREA/GROSS BUILDING AREA..... 97%
(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-95
RENTS & EXPENSES SET AT 1992 BASE YEAR LEVELS
(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

POTENTIAL PARCEL 31 RETAIL/ENTERTAINMENT COMPLEX
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1992 DELIVERY

GROSS BUILDING AREA	90,000
GROSS LEASABLE AREA (1)	80,000

	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)	
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$1,650	$16.11
TOTAL DEVELOPMENT COST	$20,218	$225
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	58%	
EQUITY REQUIRED	$8,476	$96
RETURN ON TOTAL DEVELOPMENT COST	7.2%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($5,717)	($64)

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1992 RETAIL/ENTERTAINMENT COMPLEX

(1) GROSS LEASABLE AREA/GROSS BUILDING AREA @..... 62%
ASSUMES MOST OF REQUIRED PUBLIC AREA IS APPLIED TO PRO FORMA OF OTHER PROJECT COMPONENT (OFFICE)

(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-95
RENTS & EXPENSES SET AT 1996 BASE YEAR LEVELS

(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

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FOR DISCUSSION PURPOSES ONLY

POTENTIAL PARCEL 31 THEATER & ARTISTS' COOP GALLERY
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1992 DELIVERY

GROSS BUILDING AREA	20,000
GROSS LEASABLE AREA (1)	20,000

	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)	
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$0	$0.00
TOTAL DEVELOPMENT COST	$3,532	$177
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	0%	
EQUITY REQUIRED	$3,532	$177
RETURN ON TOTAL DEVELOPMENT COST	0.0%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($3,532)	($177)

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1992 THEATER & ARTISTS' COOP

(1) GROSS LEASABLE AREA/GROSS BUILDING AREA @..... 100%
ASSUMES PUBLIC AREA IS APPLIED TO PRO FORMA OF
OTHER PROJECT COMPONENT (OFFICE)

(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-95
ASSUMES TURNKEY ARRAGEMENT: DEVELOPER PAYS 100% OF DEVELOPMENT COST,
AND 0% OF OPERATING EXPENSES

(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

POTENTIAL PARCEL 31 RESIDENTIAL CONDOMINIUMS
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1996 DELIVERY

DEVELOPMENT APPROACH:	SMALL		MID-SIZE		LARGE/ MIXED-USE	
GROSS BUILDING AREA	65,000		97,000		174,000	
NET UNIT AREA (1)	52,000		77,600		139,200	
NUMBER OF UNITS (1)	65		97		174	
	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)					
NET SALES PROCEEDS (2)	$20,847	$321	$32,953	$340	$63,740	$366
TOTAL DEVELOPMENT COST	$15,606	$240	$22,987	$237	$40,745	$234
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	100%		100%		100%	
EQUITY REQUIRED	$0	$0	$0	$0	$0	$0
RETURN ON TOTAL DEVELOPMENT COST	33.6%		43.4%		56.4%	
SURPLUS (SHORTFALL) TO 20% RETURN ON TOTAL DEV COST	$1,768	$27	$4,673	$46	-$12,372	$71

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1996 RESIDENTIAL

(1) NET AREA/GROSS BUILDING AREA, AVERAGE UNIT SIZE @.. 80% 800
(2) AVERAGE YEAR OF SALE (MIDPOINT).....01-Jul-96
SALES PRICES & EXPENSES SET AT 1996 LEVELS
(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF NET SALES PROCEEDS..... 75%

TENTATIVE AND CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

POTENTIAL PARCEL 31 OFFICE BUILDING
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1996 DELIVERY

DEVELOPMENT APPROACH:	SMALL		MID-SIZE		LARGE/ MIXED-USE	
GROSS BUILDING AREA	200,000		330,000		840,000	
NET RENTABLE AREA (1)	194,000		320,100		814,800	
	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)					
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$4,601	$23.00	$8,783	$26.62	$24,803	$29.53
TOTAL DEVELOPMENT COST	$56,840	$284	$95,563	$290	$247,010	$294
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	65%		75%		80%	
EQUITY REQUIRED	$20,087	$100	$25,394	$77	$48,853	$58
RETURN ON TOTAL DEVELOPMENT COST	8.1%		9.2%		10.0%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($10,834)	($54)	($7,733)	($23)	$1,018	$1

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1996 OFFICE

(1) NET RENTABLE AREA/GROSS BUILDING AREA..... 97%
(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-99
RENTS & EXPENSES SET AT 1996 BASE YEAR LEVELS
(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

POTENTIAL PARCEL 31 RETAIL/ENTERTAINMENT COMPLEX
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1996 DELIVERY

GROSS BUILDING AREA	90,000
GROSS LEASABLE AREA (1)	80,000

	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)	
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$1,949	$21.66
TOTAL DEVELOPMENT COST	$23,772	$264
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	66%	
EQUITY REQUIRED	$7,999	$89
RETURN ON TOTAL DEVELOPMENT COST	8.2%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($4,278)	($48)

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1996 RETAIL/ENTERTAINMENT COMPLEX

(1) GROSS LEASABLE AREA/GROSS BUILDING AREA @..... 62%
ASSUMES MOST OF REQUIRED PUBLIC AREA IS APPLIED TO PRO FORMA OF OTHER PROJECT COMPONENT (OFFICE)

(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-99
RENTS & EXPENSES SET AT 1996 BASE YEAR LEVELS

(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

POTENTIAL PARCEL 31 THEATER & ARTISTS' COOP GALLERY
ESTIMATED MEASURES OF INVESTMENT POTENTIAL
1996 DELIVERY

TENTATIVE AND CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

GROSS BUILDING AREA	20,000
GROSS LEASABLE AREA (1)	20,000

	TOTAL (000'S) & PER SQ FT OF GBA (CURRENT YEAR DOLLARS) (2)	
NET OPERATING INCOME (FIRST STABILIZED YEAR) (2)	$0	$0.00
TOTAL DEVELOPMENT COST	$4,091	$205
MAXIMUM % OF TOTAL DEVELOPMENT COST FINANCED (3)	0%	
EQUITY REQUIRED	$4,091	$205
RETURN ON TOTAL DEVELOPMENT COST	0.0%	
SURPLUS (SHORTFALL) TO 10.0% RETURN ON TOTAL DEV COST	($4,091)	($205)

NOTES: ESTIMATED MEASURES OF INVESTMENT POTENTIAL : 1996 THEATER & ARTIST'S COOP

(1) GROSS LEASABLE AREA/GROSS BUILDING AREA @..... 100%
ASSUMES PUBLIC AREA IS APPLIED TO PRO FORMA OF
OTHER PROJECT COMPONENT (OFFICE)
(2) FIRST STABILIZED YEAR (MIDPOINT).....01-Jul-99
ASSUMES TURNKEY ARRAGEMENT: DEVELOPER PAYS 100% OF DEVELOPMENT COST,
AND 0% OF OPERATING EXPENSES
(3) MAXIMUM CONSTRUCTION/INTERIM LOAN @ % OF STABILIZED YEAR VALUE..... 75%

POTENTIAL PARCEL 31 RESIDENTIAL CONDOS
COMPARATIVE SALES PRICES
1992 AND 1996 DELIVERY

	AVERAGE SALES PRICES (PER SQUARE FOOT)				
YEAR: 1992	CONSTANT 1988 DOLLARS (1)			CURRENT 1992 DOL	
DEVELOPMENT APPROACH:	SMALL	MID-SIZE	LARGE/ MIXED USE	SMALL	MID-SIZE
HEIGHT RANGE					
UPPER FLOORS (12+)	$280	$280	$308	$341	$341
LOWER FLOORS (2-11)	$233	$233	$256	$283	$283
AVERAGE	$237	$252	$285	$289	$307

YEAR: 1996	CONSTANT 1988 DOLLARS (1)			CURRENT 1996 DOL	
DEVELOPMENT APPROACH:	SMALL	MID-SIZE	LARGE/ MIXED USE	SMALL	MID-SIZE
HEIGHT RANGE					
UPPER FLOORS (12+)	$340	$340	$357	$496	$496
LOWER FLOORS (2-11)	$285	$285	$299	$414	$414
AVERAGE	$290	$308	$332	$422	$447

Large/mixed...

MISSING COLUMN W BE HANDED OUT

NOTES

(1) CONSTANT 1988 DOLLARS ARE AS OF 1/1/88
(2) CURRENT YEAR DOLLARS ARE AS OF MID-YEAR (7/1)
(3) AVERAGE SALES PRICES BASED ON:
SMALL: 12 FLOORS
MID-SIZE: 18 FLOORS
LARGE/MU: 24 FLOORS
FIRST FLOOR NOT INCLUDED IN CALCULATION

POTENTIAL PARCEL 31 OFFICE BUILDING
COMPARATIVE RENTAL RATES
1992 AND 1996 DELIVERY

TENTATIVE [illegible]
FOR DISCUSSION PURPOSES ONLY

	AVERAGE RENTAL RATE (PER SQUARE FOOT)					
YEAR: 1992	CONSTANT 1988 DOLLARS (1)			CURRENT 1992 DOLLARS (2)		
DEVELOPMENT APPROACH:	SMALL	MID-SIZE	LARGE/ MIXED USE	SMALL	MID-SIZE	LARGE/ MIXED USE
HEIGHT RANGE						
PENTHOUSE			$31.50			$38.40
UPPER FLOORS (21+)		$28.00	$29.00		$34.13	$35.35
MID FLOORS (11-20)	$24.00	$25.00	$26.00	$29.26	$30.48	$31.70
LOWER FLOORS (2-10)	$21.00	$22.00	$23.00	$25.60	$26.82	$28.04
AVERAGE (3)	$21.55	$23.89	$25.84	$26.27	$29.26	$32.25

	AVERAGE RENTAL RATE (PER SQUARE FOOT)					
YEAR: 1996	CONSTANT 1988 DOLLARS (1)			CURRENT 1996 DOLLARS (2)		
DEVELOPMENT APPROACH:	SMALL	MID-SIZE	LARGE/ MIXED USE	SMALL	MID-SIZE	LARGE/ MIXED USE
HEIGHT RANGE						
PENTHOUSE			$38.77			$56.36
UPPER FLOORS (21+)		$34.72	$35.69		$50.47	$51.89
MID FLOORS (11-20)	$30.00	$31.00	$32.00	$43.61	$45.07	$46.52
LOWER FLOORS (2-10)	$26.25	$27.28	$28.31	$38.16	$39.66	$41.15
AVERAGE (3)	$26.93	$29.63	$31.80	$39.15	$43.07	$46.23

NOTES

(1) CONSTANT 1988 DOLLARS ARE AS OF 1/1/88
(2) CURRENT YEAR DOLLARS ARE AS OF MID-YEAR (7/1)
(3) AVERAGE RENT BASED ON:
SMALL: 12 FLOORS
MID-SIZE: 20 FLOORS
LARGE/MU: 26 FLOORS
FIRST FLOOR NOT INCLUDED IN CALCULATION

POTENTIAL PARCEL 31 RETAIL/ENTERTAINMENT COMPLEX
PROGRAM & RENTAL RATES
1992 AND 1996 DELIVERY

TENTATIVE AND CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

TENANT	NUMBER	AVERAGE SIZE (SQ FT)	TOTAL SQ FT	RENTAL RATE PER SQ FT			
				1992		1996	
				CONSTANT $1988	CURRENT $1992	CONSTANT $1988	CURRENT $1996
COMMERCIAL ART GALLERIES	5	2000	10000	$24.00	$29.26	$26.40	$38.38
CINEMA COMPLEX	1	25000	25000	$12.00	$14.63	$13.20	$19.19
RESTAURANTS	4	5000	20000	$25.00	$30.48	$27.50	$39.98
NIGHT/JAZZ CLUBS	2	7000	14000	$12.00	$14.63	$13.20	$19.19
ASSORTED RETAIL SHOPS	11	1000	11000	$35.00	$42.67	$38.50	$55.97
TOTAL/AVERAGE			80000	$19.91	$26.27	$21.90	$31.84

NOTES

(1) CONSTANT 1988 DOLLARS ARE AS OF 1/1/88
(2) CURRENT YEAR DOLLARS ARE AS OF MID-YEAR (7/1)
1996 RENTS REFLECT 10% CONSTANT DOLLAR INCREASE OVER 1992 RENT LEVELS